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# **INDONESIA'S NEW PATENT LAW: A MOVE IN THE RIGHT DIRECTION**

**Fabiola M. Suwanto\***

On November 1, 1991, the Indonesian Parliament passed Law No. 6/1989 on Patents. With that, Indonesia obtained her first patent law since her independence in 1945. This new law came into effect on August 1, 1991. Law No. 6/1989, containing sixteen sections and one hundred and thirty-four articles, is the government's most earnest attempt to cast off Indonesia's image as one of the world's worst protectors of intellectual property. This long-awaited occasion was welcomed by many foreign countries and local businesses. However, several questions that should be asked are, how tight are the laws? Will they be sufficient to create the economic climate suited to the demands of foreign investors seeking to invest in Indonesia? Can the laws be implemented adequately so as to provide effective protection?

This comment examines these issues in the following manner. First, the need for a new patent law will be spelled out. The forces, which drove the Indonesian government to institute the laws, will also be discussed. Second, some of the sections and articles of the patent law will be reviewed. Third, the comment will probe into the most recent implementing regulations and decrees that address portions of the patent law. Several controversial areas, which are still causing debate, as well as confusion, will be examined to facilitate a fuller appreciation of the problems surrounding the protection of intellectual property in Indonesia. Fourth, some of the ways the Indonesian government is trying to prepare for the successful implementation of the system will be highlighted. Two potential methods which may help in this aspect will also be suggested. Finally, this comment will speculate as to the probability of the patent law accomplishing its purposes.

## **I. INTRODUCTION: THE NEED FOR A NEW PATENT LAW**

Indonesia was a colony of The Netherlands since the 1600s.

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Although Indonesia gained her independence in 1945, The Netherlands did not officially declare the "United States of Indonesia" as an independent nation until 1949.<sup>1</sup> In the interim, the Colonial Government ratified the London version of the Paris Convention for itself and on the behalf of Indonesia as well.<sup>2</sup>

When Indonesia finally emerged as a new state, it had to determine the status of the colonial acts on intellectual property. The Dutch Patent Act which was enacted in July 1912 was discontinued because it required that inventions be materially examined in The Netherlands.<sup>3</sup> This was in conflict with the sovereignty of an independent nation.<sup>4</sup> A ministerial regulation on patent application registration was made on August 12, 1953.<sup>5</sup> In that regulation, the Minister of Justice proclaimed that a patent act was to be enacted soon. As of November 1, 1953, anyone wishing to obtain a patent was to file his application with the Ministry of Justice.<sup>6</sup> Unfortunately, the awaited patent act never materialized. As of 1989, there have been over 13,000 applications for temporary patent registration, 96% of which were of foreign origins.<sup>7</sup> None of the applications, foreign and local alike, were ever granted because no patent law existed.<sup>8</sup>

Indonesia also had to deal with the status of her membership to the Paris Convention after her independence. Sources conflict on this issue. One source claims that "(f)ollowing independence, the Indonesian Government declared in 1950 that Indonesia considered itself to be the legal successor of the Dutch East Indies and therefore bound by this Convention."<sup>9</sup> Another source states that Indonesian judges, "without further examining the relevant questions of

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1. Christoph Antons, *The Development of Intellectual Property Law in Indonesia: From Colonial to National Law*, (unpublished draft, on file with the author).

2. *Id.*

3. J.B. Lumenta, *Indonesia Plans to Update Its Patent Law*, JAKARTA POST, Aug. 1, 1989, at 4.

4. Elisabeth Uphoff, *Intellectual Property Protection and the U.S. Relations with Singapore, Malaysia, Indonesia and Thailand*, written for the Southeast Asia Program, Cornell University, Dec. 1988.

5. Christoph Antons, *supra* note 1.

6. Duane J. Gingerich, *Indonesia*, E. ASIAN EXECUTIVE REP., Vol. 11, No. 12, Dec. 15, 1989 at 9.

7. Duane J. Gingerich, *New Patent Law Under Discussion*, IP ASIA, Aug. 10, 1989, at 13.

8. Only applications filed within 10 years of the effective date, i.e. August 1, 1981, can be re-registered under the new patent law. See Duane J. Gingerich, *New Patent Law*, IP ASIA, Nov. 22, 1989, at 18.

9. Christoph Antons, *Intellectual Property Law in ASEAN Countries: A Survey*, 3 EIPR 78, 82 (1991).

public international law, regard the declaration of the Dutch concerning the Paris Convention of 1948 as not binding on Indonesia. Consequently, membership of the Paris Convention is denied, although in fact only ratification of the London Revision can be disputed."<sup>10</sup> This matter is yet to be clearly resolved.

In 1958, Indonesia withdrew itself from the Berne Convention, one of the oldest multilateral copyright conventions.<sup>11</sup> Former President Sukarno claimed that it was beyond Indonesia's capability to pay royalties.<sup>12</sup> The country needed a relatively inexpensive way to make goods it could sell to obtain revenue. Making copies of foreign goods was convenient and lucrative.<sup>13</sup> The protection of intellectual property was not an immediate concern. Before long, Indonesia was equated with being the haven for piracy, the nightmare of foreign investors. It had been alleged that in 1986, United States companies lost 210 million U.S. dollars because of the pirating of software technology alone that went on in Indonesia.<sup>14</sup> It was also reported that pirated music cassettes, videotapes, pharmaceuticals and computer software were prevalent in the country and were big money makers.<sup>15</sup>

An example of counterfeiting may be helpful to understand the frustrations experienced by investors whose patent rights have been infringed. It should be noted however, that this example is a rare and extreme one. Company X was a pharmaceutical company which had discovered that its product had been copied and sold in Indonesia.<sup>16</sup> Its Managing Director claimed that the counterfeit was so good that had they not analyzed the tablets, they would not have known the difference. An analysis of the counterfeit revealed that it had a smaller amount of the "active ingredients" found in a genuine tablet. This meant that the production costs of the counter-

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10. Christoph Antons, *supra* note 1.

11. *Indonesia to Enhance Copyright Protection, but Enforcement is Key*, BUSINESS INTERNATIONAL, Vol. XIX, No 31, August 3, 1987. The International Union for the Protection of Literary and Artistic Works (also known as the Berne Convention) was first established in 1886 in Berne, Switzerland. The Convention requires protection be given to works, published or unpublished, of an author. See Marshall A. Leaffer, UNDERSTANDING COPYRIGHT LAW, LEGAL TEXT SERIES (1988).

12. *Indonesia to Enhance Copyright Protection*, *supra* note 11.

13. *Id.*

14. *New Laws Will Better Protect Intellectual Property Rights of Foreign Firms*, MULTINATIONAL STRATEGIES, COUNTRY MONITORING SERVICE, Aug. 1987.

15. *Licensing — General; Patent and Trademark Protection*, BUSINESS INTERNATIONAL, INVESTING, LICENSING & TRADING, January, 1988. See also U.S., *Indonesia in Agreement to End Copyright Piracy*, REUTERS, Mar. 22, 1989.

16. This information was obtained through an interview in Jakarta, Indonesia, with a gentleman who requested that his name be withheld.

feit were less. The company attempted to deal with the counterfeit problem but eventually decided to pull its investments out of Indonesia.<sup>17</sup> This unpleasant experience was costly to both the foreign investor as well as the country of Indonesia.

It is unfortunate that the very things which allowed Indonesia to make money were those which caused companies in the United States and other countries to take significant losses.<sup>18</sup> Not surprisingly, the United States and the European Economic Community (EEC) retaliated. They threatened to withdraw the trade benefits they had been granting Indonesia unless Indonesia revamped its current intellectual property laws.<sup>19</sup> This caught the attention of the Indonesian government. On September 9, 1987, the Indonesian Parliament finally passed amendments to the 1982 Copyright Law.<sup>20</sup> March 1988 saw the signing of a treaty between Indonesia and the United States which covers all copyrights.<sup>21</sup> In that treaty, both countries agreed to give foreign artists the same protection their native artists would have in their own native lands.<sup>22</sup> On May 27, 1988 Indonesia agreed with some of the EEC countries to end piracy of audio cassettes.<sup>23</sup> Pirated cassettes of foreign music were to be cleared off the shelves by June 1988.<sup>24</sup> That agreement was successful in substantially decreasing the amount of pirated goods in the consumer market.<sup>25</sup> While these were important steps towards affording better protection to intellectual property, a revised copyright law alone would not suffice. Foreign governments pushed for the reform of trademark laws and the establishment of patent laws as well.

## II. FACTORS WHICH LED INDONESIA TO ESTABLISH THE NEW PATENT LAW

Several important factors finally resulted in Indonesia's enactment of the patent laws. Indonesia recognized that poor protection

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17. The company hired people to locate the places which sold the counterfeit products. While they were able to seize the products, they were unable to identify the suppliers. The company refused to sustain such losses and decided to close down its operations in Indonesia.

18. Jacques J. Gorlin, *Yo, Ho, Ho, and a Gucci Bag*, *WORLD PAPER*, Mar. 1989, at 1.

19. See *Licensing — General; Patent and Trademark Protection*, *supra* note 15.

20. *Id.*

21. Matthew Shears, *Shops Clear Pirated Software from Shelves as U.S.-Indonesia Treaty Goes Into Effect*, *PR Newswire*, Aug. 2, 1989.

22. *Id.*

23. Mochtar Lubis, *How Retaliation Works; Indonesians Face the Music After European Threat*, *WORLD PAPER*, Mar. 1989, at 5.

24. *Id.*

25. *Id.*

of intellectual property is a significant deterrence to foreign investment.<sup>26</sup> Indonesia's economy had always relied substantially on the exports of oil and oil-related products and her dependence on foreign investment became increasingly evident after oil prices took a huge dip in the mid-1980s.<sup>27</sup> To make up for the losses incurred, the government needed to attract more foreign capital. Hence, since 1987, Indonesia has eased restrictions on foreign investors.<sup>28</sup> The government deregulated finance, reduced import barriers and altered the regulations for foreign ownership.<sup>29</sup> However, some investors who considered patent protection of paramount importance to their businesses were hesitant to invest without a patent law in the country.

At the same time, improvements on patent protection by the neighboring countries made Indonesia realize that she would be a better competitor if armed with a better set of laws. Indonesia was aware that her neighbors including Thailand, Singapore and Malaysia were keen competitors for foreign capital. Singapore established some copyright, patent and trademark laws and she continuously attracted foreign investors. If Indonesia wanted foreign investment, she must offer an improved business climate, including a more tangible form of protection for intellectual property.

Indonesia's decision to have a patent law was also partly a reaction to mounting international pressure. In mid-January 1989, Washington put trade sanctions on Thailand because the latter did not protect United States intellectual property, particularly computer software and pharmaceuticals.<sup>30</sup> The United States denied Thailand duty-free benefits on exports to the country.<sup>31</sup> Indonesia could not afford to lose the duty-free benefits similar to those which Thailand lost because the United States had always been one of Indonesia's biggest foreign markets.<sup>32</sup>

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26. See Matthew Shears, *supra* note 21. Mr Nico Kansil, Director General of Copyrights, Patents and Trademarks at the Indonesian Department of Justice acknowledged that "(f)oreign investment will be promoted and transfer of technology will be encouraged by intellectual property protection." *Id.*

27. *18-Month Forecasts of International Investment Restrictions*, IBC USA LICENSING INC.; POLITICAL RISK SERVICES, July 1, 1991, (Lexis, Nexis, Omni file).

28. *Id.*

29. Lisa Errion, *Indonesia: Policies are Generating Markets for U.S. Products*, BUSINESS AMERICA, Vol. 111, No. 8, Apr. 23, 1990, at 35.

30. Bill Tarrant, *Indonesia Proposes Law to Protect Foreign Patents*, REUTERS, Jan 24, 1989.

31. *Id.*

32. Indonesia's trade with Washington is close to US\$ 5 billion a year. See Jonathan Thatcher, *Suharto, Bush Talks Seen Dominated by Economic Issues*, REUTERS, June 5, 1989.

The government finally concluded that patent laws would benefit Indonesia. In the words of Nico Kansil, the Director General of Copyrights, Patent, and Trademarks at the Indonesian Department of Justice, the protection would "induce the local Indonesian to make innovations and generate the creativity of the Indonesian people."<sup>33</sup> The lack of patent laws increases piracy activities which in reality hurts Indonesia. By allowing pirates to flourish, the government undercuts the legitimate companies. Furthermore, many pirates skirt taxes and various employment regulations. Ultimately, the government will be forced to deal with a host of consequences resulting from the piracy activities.

### III. THE NEW PATENT LAW IN THEORY

The birth of the new patent law introduced Indonesia to a new and somewhat unfamiliar concept: the inventor or licensor of a product or process has exclusive rights to said product or process and the infringement of their rights by third parties is illegal. To better understand the workings of this patent law, it is necessary to take a detailed look at its content. It is also important to note that the patent law must be read in conjunction with Government Regulations issued subsequently. These latter documents clarify some of the broader language stated in the patent law. In this section of the comment, the laws will be laid out only to give a basic knowledge regarding the patent system that is being developed. Analyses of specific laws will follow later.

Article 1 Section 1 of the patent law defines a patent as "a special right granted by the State to an inventor for the result of his invention in the field of technology, [permitting him] to implement ["work"] his own invention by himself for a certain period or to authorize another person to implement it."<sup>34</sup> A patent would be granted "for a new invention containing an innovative aspect and applicable to industry."<sup>35</sup> To be deemed "new," the invention must not, at the time the patent application is filed, have been published in Indonesia or elsewhere, so as to enable the invention to be carried out by an expert.<sup>36</sup> An invention is innovative if it is a previously

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33. Matthew Shears, *supra* note 21.

34. The text of the patent law that was available was an unofficial translation prepared by the Law Firm of Hadiputranto & Hadinoto in Jakarta, Indonesia. The text appeared in three different sections published in EAST ASIAN EXECUTIVE REPORTS, Vol. 12, No. 3, Mar. 15, 1990, at 20 (Articles 1-86); Vol. 12, No. 4, Apr. 15, 1990, at 26 (Articles 87-103) and Vol. 12, No. 5, May 15, 1990, at 25, (Articles 104-134). [Hereinafter Text]

35. Text, *supra* note 34, Article 2.

36. Text, *supra* note 34, Article 3.

unexpected matter for a person with the usual technical expertise in the particular field.<sup>37</sup>

Not all inventions are deemed patentable. Article 7 explicitly cited five general instances for which a patent application would be denied.<sup>38</sup> The five unpatentable types of inventions include:

1. A production process or product contrary to public order, morality or existing laws;
2. Food and drink, including products in the form of raw material made by chemical processes for human and animal consumption;
3. New plant varieties or animal species, and any process used for the breeding of plants and animals;
4. Methods of examining, nursing, medication and surgery applied to humans and animals, but excluding the products used with these methods;
5. Theory or methodology in the field of science or mathematics.<sup>39</sup>

The one special instance in which a patent may not be granted is if the President, through a Presidential Decree, suspends the patent application for up to five years.<sup>40</sup> The President would likely invoke this power when the government sees the need to protect and cultivate development programs in specific areas.<sup>41</sup> This exception does not apply to existing patent holders or a patent on a priority basis that is pending at the time the Presidential Decree is issued.<sup>42</sup>

### *The Application Process*

The application procedure is specified in the new patent law. The inventor or a "subsequent recipient of the rights of the inventor" is entitled to a patent.<sup>43</sup> If the person seeking to file an application is not the inventor, a statement "with adequate supporting evidence" is needed to show that the applicant is entitled to the said invention.<sup>44</sup> A foreigner's application is required to go through a

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37. *Text, supra* note 34, Article 2, Section 2. *See also Text, supra* note 34, Article 2, Section 3 which states that whether an invention is an unforeseen matter must be assessed "by assessing current knowledge at the time of the patent application or knowledge existing at the time of the first application submitted on a priority basis."

38. *Text, supra* note 34, Article 7.

39. *Text, supra* note 34, Article 7.

40. *Text, supra* note 34, Article 8, Section 1.

41. Duane Gingerich, *supra* note 6, at 9.

42. *Id.*

43. *Text, supra* note 34, Article 11, Section 1.

44. *Text, supra* note 34, Article 26, Section 1.



patent consultant registered at the Patent Office as a proxy of the foreigner.<sup>45</sup> The applicant or proxy must be legally domiciled in Indonesia.<sup>46</sup> The application must also contain detailed information regarding the invention in the Indonesian language.<sup>47</sup> The documents to be submitted as part of the application packet are: (i) a letter of application; (ii) a description of the invention;<sup>48</sup> (iii) one or more claims contained in the invention (a claim is "a written description on the core of the invention or certain parts of the invention which requires legal protection in the form of patent"<sup>49</sup>); (iv) one or more pictures mentioned in the description to give explanation; and (v) an abstraction of the invention.<sup>50</sup> The application should also be accompanied by a fee of Rp. 200,000 (approximately 100 U.S. dollars).<sup>51</sup>

Once the Patent Office receives the application documents, they will be treated as secret documents.<sup>52</sup> If any patent consultant or officer reveals the secrets on the application, he or she could face a five-year penalty.<sup>53</sup> Within six months of receiving the application, the Patent Office will publish an abstract of the invention.<sup>54</sup> During this time, anyone may object to the granting of the patent.<sup>55</sup> The Patent Office will subsequently review the objections and make a decision.<sup>56</sup> If there are no objections, the applicant is required to file an application for a substantive inspection.<sup>57</sup> This should be done after the announcement period is over, but within thirty-six

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45. Text, *supra* note 34, Article 26, Section 1.

46. Text, *supra* note 34, Article 28, Section 2.

47. Text, *supra* note 34, Article 30.

48. The description must be structured as follows: title of the invention, technical field, background art, technical improvements and advantages, brief explanation of the drawing(s), mode of carrying out the invention and working example(s) and industrial applicability. See J.B. Lumenta, *Patent Act Comes into Force: Government Issues Regulations*, BNA INT'L BUS. DAILY, Oct. 31, 1991.

49. Government Regulation No. 34/1991 dated June 11, 1991 [hereinafter GR No. 34/1991], Article 1, Section 3.

50. GR No. 34/1991, Article 4. An abstraction is "a brief description regarding an invention which constitutes a resume of the main description, claim or picture." GR No. 34/1991, Article 1, Section 5.

51. Attachment to Circular of the Minister of Justice No. M.03-HC.02.10/1991 dated Aug. 22, 1991.

52. GR No. 34/1991, Article 34, Section 2.

53. A point emphasized by the Director General of Copyrights, Patents and Trademark, Nico Kansil, *RI Patent Act Takes Effect, One Request Listed*, JAKARTA POST, Aug. 2, 1991.

54. Text, *supra* note 34, Article 47, Section 2(a); Lisa Errion, *supra* note 30, at 23.

55. Text, *supra* note 34, Article 51, Section 1.

56. Text, *supra* note 34, Article 51, Section 4.

57. Text, *supra* note 34, Article 55, Section 1.

months after the receipt of the application.<sup>58</sup> A fee of Rp. 750,000 (approximately 380 U.S. dollars) will be charged for the inspection.<sup>59</sup> Within twenty-four months from the date of the request for a substantive examination, the Patent Office will render its verdict.<sup>60</sup> Should the patent application be approved, a Patent Certification will be issued, recorded in the General Patent Register and published in the official Patent Gazette.<sup>61</sup> If the application is rejected, an appeal may be made to the Patent Appeal Commission which, within twelve months, will hand down a final decision.<sup>62</sup>

### *Filing A Patent With Priority Right*

The procedure for filing a patent with priority right pursuant to an international convention joined by Indonesia is slightly unclear. A priority right allows foreign work to be protected in Indonesia. The notion of priority right is stated in Article 4 Sections A(2) through I(2) of the Paris Convention.<sup>63</sup> An author can obtain protection of his or her work under the Convention in countries of the Union as well as the country of his origin.<sup>64</sup> Here however, the concept is a rather confusing one because, as mentioned before, Indonesia has yet to officially declare itself one of the signatories to the Paris Convention. Nevertheless, the new patent law provides for patent application with right to priority.<sup>65</sup> Article 29, Section 1 mandates such application be filed "within 12 months commencing from the date on which the first patent application was received by any country belonging to said convention."<sup>66</sup> A copy of the first letter of patent application certified by the authorized party of the country concerned must also be submitted.<sup>67</sup> The fact that the government has not planned out the details surrounding this area is

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58. Text, *supra* note 34, Article 56, Section 1.

59. Attachment to Circular of the Minister of Justice No. M.03.HC.02.10/1991 dated Aug. 22, 1991.

60. Text, *supra* note 34, Article 61.

61. Text, *supra* note 34, Article 64, Sections 1 & 2.

62. Text, *supra* note 34, Article 71.

63. Text of the Paris Convention for the Protection of Industrial Property of March 20, 1883, as Revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at the Hague on November 6, 1925, at London on June 2, 1934, at Lisbon on October 31, 1938, and at Stockholm on July 14, 1967; this was a reprint from Konrad Zweigert & Jan Köpholler, *SOURCES OF INTERNATIONAL UNIFORM LAW*, Vol. III, A.W. Sijthoff, Leiden, 1973, at 129-146.

64. *Id.*

65. The Elucidation also refers to the Paris Convention and Indonesia should be implicitly bound by the Paris Convention with respect to the patent law.

66. Text, *supra* note 34, Article 29, Section 1.

67. Text, *supra* note 34, Article 31, Section 1.

evidenced in its provision in Article 32 which states that further regulations governing this area will be stipulated at a later date.<sup>68</sup>

### *Rights Of A Patent Holder*

Once a patent is granted, Article 9 states that the holder is entitled to 14 years of patent protection starting from the date the patent application is filed.<sup>69</sup> This date and the date of expiration must be recorded in the General Register of Patents and published in the Official Patent Gazette.<sup>70</sup> During the 14-year period, a Patent Holder must use his patent commercially. He must "produce, sell, rent, deliver, use, to supply for sale, or rent, or deliver the patented products" or "use the patented production process to produce goods."<sup>71</sup> The working of the patent must be carried out on Indonesian soil.<sup>72</sup> When the patent expires, the holder may request a one-time only, two-year extension.<sup>73</sup> Section 1 of GR No. 34/1991 Article 63, stipulates that a written request for renewal must be submitted to the Patent Office "within a period of twelve months and at least six months before the patent expires."<sup>74</sup> A fee of Rp. 100,000 (approximately 50 U.S. dollars) will be charged.<sup>75</sup> Article 63, Section 3 promises further regulations regarding the matter.<sup>76</sup>

### *Compulsory Licensing*

The patent law also contains provisions for Compulsory Licensing. Article 82 allows any person to apply for the implementation of a patent after thirty-six months from the date the patent was first issued, if the said patent "had not been implemented in Indonesia by the Patent Holder even though there has been opportunity for commercial implementation of the patent which should have been utilized."<sup>77</sup> The applicant must show that he (1) is capable of implementing the patent himself and (2) has the facilities to fully put the patent to use.<sup>78</sup> Should the District Court decide that the im-

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68. Text, *supra* note 34, Article 32; see also GR 34/1991 Article 45, which reads "Further regulations on the patent application with the right of priority will be stipulated by the Minister." The government is evidently uncomfortable with this area of the law.

69. Text, *supra* note 34, Article 9, Section 1.

70. Text, *supra* note 34, Article 9, Section 2.

71. Text, *supra* note 34, Article 17.

72. Text, *supra* note 34, Article 18.

73. Text, *supra* note 34, Article 42.

74. GR No. 34/1991, Article 63.

75. *Id.*

76. *Id.*

77. Text, *supra* note 34, Article 82.

78. Text, *supra* note 34, Article 83, Section 1(a).

plementation is feasible and will "yield benefits for a large part of the society," the Compulsory License will be issued.<sup>79</sup> The Compulsory License is valid only for the period necessary to work the patent.<sup>80</sup> The Compulsory License Holder shall pay the Patent Holder royalties, the amount of which will be determined by the District Court.<sup>81</sup>

### *Criminal Provisions*

The criminal provisions begin in Chapter XII with Article 126. One who intentionally violates the rights of a patent holder by using the latter's patent for commercial gain faces an imprisonment for a maximum of seven years and a fine of a maximum of Rp. 100 million (approximately 55,000 U.S. dollars).<sup>82</sup> The new law also provides for the investigation mechanism to tackle criminal acts in this field. It vests the investigative authorities not only in the State police but also in civil servants responsible for patent development. These investigators may:

1. Examine reports relating to criminal actions in the field of patent;
2. Investigate a person suspected of violation of the patent law;
3. Obtain information and evidence from individuals or entities connected with their investigations;
4. Examine all documents pertaining to their investigations;
5. Investigate locations for evidence and confiscate such evidence found;
6. Request expert assistance in the investigation.<sup>83</sup>

### *Temporary Patent Applications Filed Under The Government Announcement of 1953*

The patent law allows for the renewal of temporary patent applications filed according to the Governmental Announcement of 1953. Those who filed these temporary patent applications between August 1, 1981 and November 1, 1989 were required to submit their new applications between August 1, 1991 and July 31, 1991.<sup>84</sup>

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79. *Text, supra* note 34, Article 83, Section 1(b).

80. *Text, supra* note 34, Article 83, Section 3.

81. *Text, supra* note 34, Article 85, Sections 1 & 2.

82. *Indonesia*, E. ASIAN EXECUTIVE REP., Vol. 12, No. 5, May 15, 1990, at 20.

83. *Id.*

84. *Text, supra* note 34, Article 131, Section 1. *See also* GR No. 34/1991, Article 76.

Failure to do so would result in the expiration of those temporary patent applications.<sup>85</sup> If a patent is granted, the period of protection is "from the date of receipt of the patent application based on the Announcement."<sup>86</sup> As for patents filed more than 10 years prior to August 1, 1991, they are "deemed null and void."<sup>87</sup>

#### IV. PROBLEM AREAS OF THE NEW PATENT LAW

The preceding section mentioned some of the more significant provisions of the patent law. Investors and critics alike know that the laws are not without flaws. This comment discusses problem areas in the Indonesian patent law by looking through the lenses of one of the industries affected by this new law, the pharmaceutical industry. This overview also evaluates Government Regulations No. 32/1991 and No. 34/1991 enacted on June 11, 1991 as efforts by the government to pacify the investors and clarify the laws.

The pharmaceutical industry has substantial foreign capital investments in Indonesia. These foreign pharmaceutical companies have suffered losses due to patent infringement and counterfeit medications. Yet unfortunately, several provisions of the patent law do not favor this industry. The foreign pharmaceutical companies have not been pleased with the way the Indonesian government has treated them. A 1988 drug legislation restricted foreign companies to producing drugs of their own invention. They are also required to invest in the manufacture of one of the chemical ingredients in Indonesia.<sup>88</sup> In addition, foreign companies are prohibited from registering generics or non-prescription over-the-counter products.<sup>89</sup> They have also been denied the privilege to distribute free samples to doctors since December 1987.<sup>90</sup> All these cut into the investors' profit margins.

This time, with regard to the patent law, the pharmaceutical industry is displeased with several things: the length of time of the patent protection; the parallel import provision; the compulsory licensing requirement; and the provision of automatic revocation for non-use. The foreign pharmaceutical companies have voiced their disagreements to the legislators. These concerns will be addressed in turn.

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85. *Text, supra* note 34, Article 131, Section 2.

86. *Text, supra* note 34, Article 131, Section 4.

87. *Text, supra* note 34, Article 131, Section 3.

88. *Id.*

89. *Id.*

90. *Id.*

### *Period Of Protection*

The fourteen-year duration of the patent, starting from the date of application, is deemed too short.<sup>91</sup> The development and testing of the drugs takes between eight and twelve years. The time for patent examination, and occasionally appeal, all translate to granting different inventions different protection terms. Furthermore, the government only has about 30 patent examiners.<sup>92</sup> It could take quite some time before a new patent application gets processed.<sup>93</sup> If the applicant needs to appeal the Patent Office's initial decision and later obtains a favorable verdict from the Patent Appeal Commission, an additional year may have elapsed. This would in essence grant patent owners substantially less than fourteen years of protection.

To settle this concern, one of two options, or a combination of both could be done. The first option is to employ more patent examiners to expedite the registration and inspection processes. The Indonesian government should have the foresight to see that additional examiners will be necessary. Now is the time to train its examiners so that they will be ready to meet the demands in the future. The other option is to change the law so that the patent protection period accrues upon the granting of the patent application. This measure would be fair to all industries. A combination of the two would certainly appease numerous companies and potential investors.

### *Parallel Import*

The pharmaceutical industry is also opposed to Article 21. Article 21 states that "(t)he importation of patented products or products made by patented production process or equivalents produced by anyone other than the Patent Holder shall not constitute a violation of the patent concerned except in certain cases to be further regulated by Government Regulation."<sup>94</sup> This provision threatens the pharmaceutical companies in Indonesia because it allows imports to enter the market and compete directly with their products. Article 21 can potentially render a patent protection valueless.

However, it is necessary to look at the Indonesian govern-

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91. *Indonesia Agrees on Patent Protection*, PHARMACEUTICAL BUS. NEWS, Nov. 24, 1989.

92. *Enforcement Rules Needed for Patent Act*, JAKARTA POST, Apr. 7, 1991, at 1. There may be more patent examiners now.

93. *Id.*; see also *Indonesia*, BUSINESS ASIA, Aug. 5, 1991, at 274.

94. *Text, supra* note 34, Article 21. "Equivalents" probably means "counterfeits."

ment's concern to fully comprehend the controversy. By enacting the 1988 drug legislation for example, the government was able to promote domestic industries. The manufacturing of one chemical per company cumulated into numerous factories, which simultaneously translated into jobs and the transfer of valuable know-how. Indonesia is anxious to learn skills and formulae. The fact that the government must protect this interest, which poses a formidable barrier to foreign investment, forces the government to walk on a fine line. A disequilibrium towards either side will be costly to both parties.

GR 32/1991, the promised regulation mentioned in the Article 21, is proof of how the government treads the line with caution and compromises. Article 1 of GR 32/1991 attempts to pacify the pharmaceutical industry by allowing the companies to import certain listed products without a violation.<sup>95</sup> The Attachment names fifty pharmaceutical products. Although the list is subject to changes made by the government, the products are essential to many pharmaceutical companies. The government also added the clause "used for the protection of medicines in Indonesia" to emphasize its willingness to cater to the demands of the pharmaceutical industry.<sup>96</sup>

### *Compulsory Licensing*

One other burdensome provision deals with compulsory licensing. As mentioned before, anyone may apply for a compulsory license thirty-six months after a patent has been granted. If the Patent Holder can convince the Court that the non-use is due to some impossibility, for example the pending of a certain health regulation, the Court can adjourn or dismiss the case.<sup>97</sup> The foreign pharmaceutical industry argues that this provision hampers creativity and innovation. Compulsory licensing should be a last resort, a mechanism to be used only if affable license negotiation with a patentee becomes difficult. In all fairness to Indonesia, such a regula-

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95. Government Regulation No. 32/1991 dated June 11, 1991 [hereinafter GR No. 32/1991], Article 1 reads:

(e)xcept raw materials or certain products as mentioned by the Attachment of this Government Decree, the import of patented products or products manufactured through a process under patent which is carried out by other people holding the patent and used for the production of medicines in Indonesia, is a violation of the patent rights.

96. *Id.* See also *Importation of Patented Drugs Restricted*, JAKARTA POST, Sat. June 15, 1991.

97. *Text, supra* note 34, Article 84.

tion is not unreasonable, given the government's agenda to boost the local pharmaceutical companies.

### *Automatic Revocation*

Article 94 is another provision deemed hostile by the foreign pharmaceutical companies. The Article pertains to the revocation of patents. Failure of a patentee to use his patent in Indonesian territory within forty-eight months from the date it was granted will result in the invalidation of said patent.<sup>98</sup> The foreign pharmaceutical companies argued that 4 years is a very small window of time for them. It is quite impossible for a company to start marketing a new product or establish a local production within this time frame. Furthermore, this provision contradicts Article 5(A)(3) of the Paris Convention (London Text). The Paris Convention article states that a revocation may occur only when the prior grant of a compulsory license has been found inadequate to prevent the abuse of rights. Articles 65 and 66 of GR 34/1991 eliminated the harshness of the automatic revocation provision. Article 65 made the non-use clause inapplicable "if the invention is not implemented or used in Indonesia in connection with the failure to get a license to make or market the product resulted with the said patent in Indonesia."<sup>99</sup> Article 66 couches the government's favoritism for the local pharmaceutical industry by indicating in Section 1 that the use of "certain" patents outside Indonesian territory would be deemed to be use within Indonesian territory insofar as "the product resulting from the patent is marketed in Indonesia and in the neighboring countries. . . ."<sup>100</sup> Section 2 defines "certain" patents as those which are given the privilege by the Minister based on substantial reasons.<sup>101</sup>

These regulations allow both the foreign investors as well as the government to come out as winners. The foreign investors enjoy some exceptions given to them, while the government keeps its control by letting a Minister grant the privilege. However, such compromises may raise a host of additional concerns from industries which believe they are not as protected as the pharmaceutical industry. A little discrimination might be tolerated at the outset, but it cannot continue. The laws in place should be well-drafted, with few or no regulations to amend and in essence "weaken" the

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98. *Text, supra* note 34, Article 94.

99. GR No. 34/1991, Article 65.

100. *Id.* at Article 66.

101. *Id.*



effects. It would be unfortunate should the original rule become the exception.

While the above-mentioned concerns are those related to the pharmaceutical industry, they are shared by numerous other industries. The pharmaceutical companies continue to lobby for changes to be announced in future Government Regulations in particular as to health regulations which have an impact on patents. Only time will tell if their efforts are rewarded.

#### V. GOVERNMENT MEASURES TO FACILITATE THE IMPLEMENTATION OF THE PATENT LAW

The biggest barrier to the success of protecting intellectual property through the patent laws lies not within the laws but in their enforcement. Without the necessary mechanisms to ensure compliance with the law, this patent system can be rendered ineffective. The government is not oblivious to this fact. Hence, it has undertaken several measures to prepare for the implementation stage.

First, the government knows that high quality patent consultants make a big difference to the system. A knowledgeable patent consultant can give a comprehensive explanation of the system to potential patent applicants. A better prepared patent application helps accelerate the application process. Hence, in Government Regulation No. 33/1991 dated June 11, 1991, President Suharto stipulated a Special Registration for Patent Consultants. The Elucidation of GR 33/1991 states that "(a)mong others the Law emphasizes that patent applications by the inventor or the one entitled to it who is domiciled outside the territory of the Republic of Indonesia must be submitted through Patent Consultants."<sup>102</sup> Although the patent law itself only required applications filed as proxy to be handled by a Patent Consultant, the Elucidation is the better authority. To qualify as a Patent Consultant, a person must hold a certificate as a "Graduate of Technology and Natural Science or another field" and must possess, as of November 1, 1991, two years of experience as a Patent Consultant handling patent applications for governmental or private interests. Such qualified persons may register within six months of the enactment date of GR 33/1991.<sup>103</sup> The government is quick to explain that such registration is a temporary

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102. Elucidation of Government Decree No. 33/1991 on Special Registration for Patent Consultants, June 11, 1991.

103. A clarification of Article 2 of the Elucidation GR No. 33/1991 on Special Registration for Patent Consultants, June 11, 1991.

one. It is special because "it is not fully based on the conditions as usually determined for Patent Consultants."<sup>104</sup> This measure is merely to get the process moving. After the cut-off date, the government will impose more stringent requirements for qualifications as patent consultants.<sup>105</sup>

The government is also giving its laws some bite by adequately training its police force. When Indonesia sought to improve its copyright protection by making frequent raids, its efforts were crippled by the fact that the police lacked the "technical skills" required to identify illegal goods.<sup>106</sup> Patent infringement is even more elusive. The government has asked the cooperation of the patent holders to put out manuals to educate police and help them combat the sale or distribution of illegal goods.<sup>107</sup>

Yet another means relied on at this early stage of implementation is to allow patent holders who have discovered the infringement of their patents to easily obtain preliminary injunctions. They can seek this temporary remedy before they try for a more substantial prosecution of the violation. Such a measure prohibits the violators from continuous infringement while awaiting trial. Article 123 is the embodiment of this principle. A "(j)udge may order said patent violation to be stopped. . . while the claim is being investigated by the District Court."<sup>108</sup>

The government is also educating the people about intellectual property rights. Prominent speakers from all over the world have been flown in to "spread the word."<sup>109</sup> The newspapers have been printing articles explaining in layman's terms the essence of the patent law. The protection of intellectual property is a new concept to a nation that has had free access to information regarding manufacturing, processing, etc. Knowledge about the patent laws, their objectives and the economic consequences of the violation of these laws will give the Indonesian public a better awareness of the significance of patents in their society.

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104. A clarification of Article 3 of the Elucidation GR No. 33/1991 on Special Registration for Patent Consultants, June 11, 1991.

105. P.D.D. Darmawan, *Patent Implementing Regulations*, IP ASIA, July 4, 1991, at 10.

106. *Indonesia; Fulfilling the Promise*, INSTITUTIONAL INVESTOR, Apr. 1991, at S19.

107. *Id.*

108. *Text, supra* note 34, Article 123, Section 2; *Indonesia, supra* note 81, at 25.

109. *To Enforce Patent Act, Ministry of Justice Will Issue Six Decrees*, JAKARTA POST, Aug. 1, 1991.

## VI. TWO SUGGESTIONS FOR THE INDONESIAN GOVERNMENT TO MAKE THE PATENT LAW MORE EFFECTIVE

The government has shown signs that it is serious in its endeavor to reduce, if not eliminate, qualms about poor intellectual property protection. However, though the government is taking measures to ensure the smooth implementation and effectiveness of the patent law, there are two other means which may be worth considering: 1) tie the idea of intellectual property protection more closely to the ideals of the Pancasila; and 2) introduce *ex parte* injunctions similar to Anton Pillar orders and/or Mareva injunctions in common law countries.

### 1. The Teachings of the Pancasila

The Pancasila is the five principles of the state ideology of Indonesia. The principles are: (1) Belief in God; (2) Just and civilized humanity, including tolerance, to all people; (3) Unity in Indonesia; (4) Democracy led by the wisdom of deliberation among representatives of the people; and (5) Social justice for all. In a speech on October 2, 1990, the Minister of Justice, Dr Ismail Saleh stated in passing that the protection of intellectual property through patents should become clear to Indonesians because the teachings of the Pancasila prompt people to respect the property of others.<sup>110</sup> This statement, with reference to patents, translates to the virtues of respecting the rights of inventors or patent holders to their patented inventions, as well as the rights of license holders who paid royalties to their licensors.<sup>111</sup> Dr. Saleh's comment deserves a little more thought. The Pancasila underlies Indonesian life; an association of a new concept with part of a national philosophy is a simple but effective means to bring home the point of the patent laws to the Indonesian public.

### 2. The Use of *Ex parte* Injunctions

An Anton Pillar order, named after a well-known English case *Anton Pillar KG v. Manufacturing Processes Ltd.* (1976 Ch. 55), is an interlocutory order which a plaintiff can seek to allow him or her to enter a defendant's premises and seize any documents or other

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110. "Sambutan Menteri Kehakiman Republik Indonesia Pada Loka Karya Keliling Di Bidang Paten Bagi Para Aparat Penegak Hukum" address by the Minister of Justice, Dr. Ismail Saleh, Jakarta, Oct. 2-3, 1990.

111. *Id.*

evidence of patent or copyright infringement.<sup>112</sup> The order is made ex parte and the defendant often has no notice of the upcoming search and seizure.<sup>113</sup> This is an effective means to discover the suppliers and/or buyers of the illegally manufactured products.<sup>114</sup> Since there is a great potential for abuse, courts are generally cautious and hesitant to give Anton Pillar orders.<sup>115</sup> The plaintiff is required to show: 1) a very strong prima facie case; 2) potential of serious damages; 3) clear evidence of defendant possessing some incriminating assets or documents; and 4) a potential that the defendant may destroy the incriminating evidence before a case can be brought against him.<sup>116</sup>

Hong Kong boasts of the best seizure and impoundment record in the world since its courts started granting Anton Pillar orders more liberally.<sup>117</sup> The Indonesian government may be well-advised to consider using the same tool to combat copyright infringements and simultaneously enhancing its patent protection.

Another development by the courts as a response to fighting piracy is the Mareva injunction.<sup>118</sup> This is a powerful instrument that freezes the defendant's assets and allows only for the disposal of limited expenses until the case comes to the court.<sup>119</sup> The defendant is thus prevented from moving his or her assets out of the country and the plaintiff can get adequate compensation if the case is ruled in his favor.

Sometimes the threat of being sued and losing in court is powerful enough to deter patent and/or copyright infringements. The Indonesian patent law may be more effective when aided by the mere presence of the Anton Pillar order and the Mareva injunction. It is not difficult for the Indonesian courts to look into these remedies and incorporate them in their current legal system.

The government has set out to do an immense task: to educate the public about intellectual property protection and to alert them to the moral wrongfulness of piracy. It may be advisable for the

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112. Justinian, *Copyright and Power Over Pirates*, THE FINANCIAL TIMES LTD., Sept. 20, 1982, Section 1, at 12.

113. *Id.*

114. *Id.*

115. *Computer Piracy in Hong Kong: The Golden Arcade, Part I*, IP ASIA, Aug. 15, 1988, at 3.

116. *Id.*

117. *Enforcement News, Asia USITC Report: How Did Asia Score?*, IP ASIA, Apr. 22, 1988, at 30.

118. See Justinian, *supra* note 111, at 12.

119. *Id.*

government to establish milestones at various intervals to monitor the situation. The public response to new laws and regulations should be tracked so as to enable the government to quickly identify and remedy problems which may arise.

#### VII. WILL THIS NEW PATENT LAW BE SUCCESSFUL?

The implementation of the patent laws will be the key to the success of this system. Nonetheless, the answer to the question "Will this new patent law be successful?" depends also on what is deemed a success. If the increase in foreign investments is the chosen yardstick, the patent law may not be "successful" during the first two or three years. Foreign investors may choose to wait to see how the government will implement the laws they have written to evaluate the extent of the protection in theory as well as in practice. While it may be impossible to ascertain the number of new foreign or indeed local investments attributable to the existence of the patent law alone, it is safe to say that the patent law will arrest the amount of apprehension of investing in Indonesia.

The patent law will also persuade current businesses in Indonesia that the government is doing its best to protect their products. Investors may decide to give the patent law some time and the government some cooperation by assisting with the education of the public regarding intellectual property rights.

If the yardstick used to measure the success of the patent law is the reduction of piracy activities, it would be almost impossible to speculate on the effectiveness of the law. Unfortunately, the economic rewards of piracy are more immediate and much easier to define than those of protecting intellectual property rights. It will be difficult to convince consumers to cease buying pirated products. So long as the demand is high, pirates will take their chances.

#### VIII. CONCLUSION

There has been much discussion about Indonesia's new patent laws. Some potential foreign investors are slightly apprehensive; others are optimistic. Some current investors are suspicious or nonchalant; yet others are merely curious. No matter how one looks at this development, it is apparent that the Indonesian government is taking a significant step in the right direction. It is time that Indonesia demolish her unsightly image as one of the world's worst intellectual property protectors. However, we should not expect the problem to disappear immediately. It will take time before Indonesia becomes comparable to the United States or the European Com-

munity in the area of intellectual property protection. Nonetheless, the government should be commended for its efforts. With the help of the Indonesian people and foreign investors alike, the problem of pirating or copying foreign goods will eventually be contained.

